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SUBJECT: AMBASSADOR'S TOUR D'HORIZON WITH THE MINISTER OF PLAN

1. (SBU) Summary: The Ambassador met with Minister of Plan Olivier Kamitatu on December 23 to discuss a broad range of challenges facing the Democratic Republic of Congo (DRC). Kamitatu described four priorities for the DRC: security, creation of development corridors, capacity building, and an improved investment climate. Regional economic integration was highlighted by Kamitatu as a necessary element to support security and stability in eastern DRC. Kamitatu requested USG support and leadership in creating a development corridor for the Great Lakes region to promote economic integration and increase legitimate trade flows among the DRC, Uganda and Rwanda. The Ambassador was accompanied to the meeting by the Acting USAID Mission Director and Economic Counselor (notetaker). End Summary.

#### ECONOMIC AND SECURITY CHALLENGES

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2. (SBU) The Ambassador opened the meeting by noting that the DRC faced difficult times ahead due to the impact of the global financial crisis. Kamitatu responded that security remained fundamental; without security, it would be impossible to address economic and financial challenges. Kamitatu described economic integration in the Great Lakes region as a key element to support long-term security and stability in the region. Specifically, Kamitatu cited the need to reinvigorate existing mechanisms such as the CEPGL (Communaute Economique des Pays des Grands Lacs or Economic Community of the Great Lakes Countries, in English) in areas such as energy, roads, and private investment. To this end, the Foreign Minister plans to appoint a POC for investment in the Great Lakes.

3. (SBU) Regional integration and economic growth also remain key for the restoration of the central state and to address anticipated population growth in both the DRC and Rwanda, Kamitatu added. Kamitatu remarked that with Rwanda's population set to increase to 20 million in the coming decades, a key question will be how to politically organize local Hutu populations. The Ambassador noted that stronger legitimate trade links would make peace easier for all parties, and that economic integration and growth in the region would also reduce Nkunda's legitimacy.

4. (SBU) Kamitatu noted that the GDRC has already initiated a program of "development corridors" within the DRC, but that there remained a need to create interest among Rwanda, Uganda and DRC in developing a corridor that would include the Kivus. Specifically, this corridor could stretch from Kinsangani in the DRC to the Indian Ocean ports of Dar-Es-Salaam and Mombassa. Noting international support for existing development corridors in the DRC, including the Bas Congo-Angola corridor and the Katanga-South Africa corridor, Kamitatu asked who might provide leadership to support a Great Lakes corridor. Acting USAID Mission Director noted regional USAID/East

Africa support for the Northern Transport Corridor, aimed at facilitating trade within the region through mechanisms such as customs harmonization, and promised to examine the role of the DRC in this initiative.

#### CAPACITY BUILDING ALSO KEY

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15. (SBU) Kamitatu highlighted capacity building as another area where they GDRC needed support, both at the central and provincial government levels. Acting USAID Mission Director noted that the new bilateral framework agreement on USG assistance highlights strengthening capacity and provides for specific agreements in sectors, with the idea of providing host governments with greater decision-making authority.

16. (SBU) The Ambassador noted USG efforts to promote a more professional military, including plans to train the First Battalion, totaling approximately 900 soldiers. The hope is for this training to serve as a model for future training and broader military-to-military cooperation. Unlike military training from other Western donors, the USG training will include the donation of equipment. Results will take time, but we need to start addressing the issue, added the Ambassador. Kamitatu noted that payment of salaries remained essential, to which the Ambassador responded that the USG would need assurances on this issue before undertaking the training. Kamitatu added that there were simply too many soldiers currently in the Kivus, which had led to a lack of discipline. Better to have fewer, but better trained, soldiers. While it is important for the GDRC to work with international partners, Kamitatu stressed that the Congolese themselves must solve their own

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problems.

#### DONOR COORDINATION UPDATE

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17. (SBU) Turning to donor coordination, Kamitatu noted the first results of the Aid Management Platform (French acronym PGA), used by the Ministry of Plan to track and manage assistance flows. According to Kamitatu, results showed that the DRC received \$1.7 billion in donor assistance from January 2007 through June 2008. (Note: Kamitatu did not go into detail with regard to which resources are counted as aid within the PGA; however, USAID assistance is reported within the platform. End Note.) Kamitatu compared these flows to \$1 billion in private investment in Katanga province alone, pointing to the need to increase private sector investment as a means of speeding economic growth. Finally, Kamitatu stressed the need to reinforce the DRC's statistical capacity (particularly within the National Statistical Institute), noting that information management was key to effective implementation of the DRC's development agenda.

18. (SBU) Responding to a question from the Acting USAID Director with regard to any changes that might be anticipated in the Thematic Group structure, through which donors and the government work together in 15 work areas, Kamitatu lamented that the Thematic Groups were not functioning more effectively. Where groups were functioning well, Kamitatu noted strong engagement directly from the GDRC Minister with oversight of the group. However, Kamitatu cited a lack of GDRC leadership and engagement at the Ministerial level within many of the groups, as well as insufficient operational budgets. (Comment: The question of operational budgets for the Thematic Groups has been a point of contention since their inception. Whether donors would support allocating funding to the groups remains in question, particularly over concerns that these resources would be used largely for per diems and other fees to Congolese participants in the groups. End Comment.) The GDRC, under the leadership of Prime Minister Muzito, continues to work to address these issues. According to Kamitatu, the focus of donor-government coordination must be on sectoral priorities in the main groups, including infrastructure, agriculture, health and education.

#### INVESTMENT CLIMATE KEY

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¶9. (SBU) The Ambassador stressed that FDI remained key for the DRC's long-term development. There must be success stories to attract investors. Kamitatu concurred and highlighted two potential areas for investment: energy and the deep sea port in Banana (Muanda). Over the next five years, the GDRC will place a priority on electricity and water. In the energy sector, there are plans to launch a feasibility study shortly on INGA II; however, there must also be a focus on smaller energy projects, not just INGA.

¶10. (SBU) Turning to an IMF program and the Chinese agreement, Kamitatu noted that donors' views on the Chinese agreement had changed from two years ago, and that the focus now was on more technical aspects of the deal. He hoped that the IMF would find a solution--the GDRC needs HIPC to maintain the Poverty Reduction Strategy Plan (PRSP), Kamitatu added. Kamitatu noted there remains a need to create more incentives for investment and improve infrastructure. For example, he noted President Kabila's goal to connect the port of Matadi to the city of Kisangani within the next three years. The DRC's projected economic growth for 2009 of 5 percent, however, is not enough to reduce poverty. The Ambassador noted the USG's desire to support the DRC's development and that there had been an increase in levels of development, humanitarian and military assistance.

¶11. (SBU) Comment. While Kamitatu repeated several familiar themes--the need for energy sector development, an improved investment climate, and enhanced capacity to track and manage international assistance-- his call for greater economic integration in the Great Lakes to support security in eastern DRC was a new element in our discussions. Post concurs with Kamitatu that regional economic integration would play a positive role in promoting the long-term stability and prosperity of the region. While halting the flow of illegal trade and the exploitation of natural resources in the Kivus must continue to be addressed, the positive role that legitimate trade and regional integration can play in stemming conflict within the region should not be overlooked. End Comment.

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GARVELINK